

# K-12 Proposition 98 Overview

L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented To:  
Budget Conference Committee

June 2, 2004



## Major K-12 Education Actions (Not in Conference)

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Both houses:

- Spent \$2 billion less than the Proposition 98 minimum guarantee for 2004-05 (although, technically, neither house has voted to suspend the minimum guarantee).
- Delayed Proposition 98 “settle-up” obligations for 2002-03 and 2003-04 (\$935 million).
- Provided full growth and cost-of-living adjustments (COLAs) plus several program augmentations.
- Rejected the Governor’s proposed child care reforms, restoring reductions with \$120 million Proposition 98 funds.

## Major K-12 Funding Changes From the *2003-04 Budget Act*

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*(In Millions)*

	Governor	Assembly	Senate
<b>K-12 Growth and COLA<sup>a</sup></b>	\$1,331	\$1,331	\$1,331
<b>Other Major Changes</b>			
Deficit factor reduction	270	270	270
Public Employees' Retirement System costs	102	-39	-39
K-12 equalization	110	110	—
Instructional materials augmentation	100	130 <sup>b</sup>	185 <sup>b</sup>
Deferred maintenance augmentation	107	107	173 <sup>b</sup>
Reduction of current-year deferrals	270 <sup>b</sup>	90 <sup>b</sup>	270 <sup>b</sup>
School library materials	95 <sup>b</sup>	95 <sup>b</sup>	25 <sup>b</sup>
Child care reforms	-120	—	—
<sup>a</sup> Includes both statutory and discretionary growth and COLA for revenue limits and categorical programs. Also includes increased funding for unemployment insurance. <sup>b</sup> Contains one-time funds from current-year Proposition 98 settle-up and Proposition 98 Reversion Account.			

- Most of the major changes beyond growth and COLA are in conference.
- Both houses took advantage of \$141 million in savings for K-12 schools Public Employees' Retirement System costs to make augmentations beyond the Governor's funding level.
- Both houses provide augmentations above the *2003-04 Budget Act* level for instructional materials, deferred maintenance, and school library materials.
- The two houses reduce the amount of funding deferred from 2003-04 to 2004-05 by differing amounts. These funds start to reduce the \$3.8 billion education credit card balance.

# Proposition 98 Ongoing K-12 Funds

## LAO Proposed Compromise

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*(In Millions)*

Page	Program	Governor	Senate	Assembly	LAO
<b>K-12</b>					
203	State special schools—salary equity	—	—	\$4.7	\$1.0
217	Deferred maintenance	\$184.1	\$212.6	184.1	184.1 <sup>a</sup>
218	Instructional materials—low-performing schools	—	85.0	—	—
224	Charter schools	52.8	52.8	57.0	52.8
225	School safety start-up grants	3.0	1.0	3.0	1.0
227	Academic Intervention and Achievement Act	—	—	5.0	—
228	Equalization	110.2	—	110.2	95.7 <sup>b</sup>
229	County Office of Education equalization	—	—	0.001	—
230	High priority schools—new cohort	—	—	—	25.0 <sup>c</sup>
234	Community day school deficiency (\$5 million for current year and \$5 million for budget year)	—	—	—	5.0 <sup>d</sup>
241	Basic Aid (deficit factor equivalent)	(2.7)	(2.7)	(3.1)	(2.7)
<b>Other Proposition 98</b>					
195	California Youth Authority Mount Bullion Camp closure	—	\$0.1	—	—
257-261	California Community Colleges adjustments	—	4.1	(\$9.3)	(\$9.0)
	Unallocated funds in Governor's total	—	—	1.4	—
	Not in conference differences from Governor	—	(5.5)	(5.5)	(5.5)
<b>Totals</b>		<b>\$347.4</b>	<b>\$347.4</b>	<b>\$347.4</b>	<b>\$347.4</b>
<p><sup>a</sup> We recommend providing \$66 million one-time Proposition 98 funds for this purpose on the next page.</p> <p><sup>b</sup> This item could be used as the ongoing Proposition 98 balancer.</p> <p><sup>c</sup> Both houses provided one-time funds for this ongoing program. We recommend \$25 million in ongoing funds.</p> <p><sup>d</sup> We recommend \$10 million (Assembly version) with \$5 million in one-time and \$5 million in ongoing funds.</p>					

# Proposition 98 One-Time K-12 Funds

## LAO Proposed Compromise

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*(In Millions)*

Page	Program	Governor	Senate	Assembly	LAO
204	Start-up for universal preschool	—	—	\$66.0	—
217	Deferred maintenance	—	\$37.7	—	\$66.0 <sup>a</sup>
219	Instructional materials—English language development	—	—	30.0	30.0
226	School law enforcement partnerships augmentation	—	—	14.0	—
230	High priority schools—new cohort	—	28.4	25.0	— <sup>b</sup>
231	Protect high priority schools that convert into smaller schools	—	—	0.7	—
232	School libraries	95.1	25.0	94.6	25.0
233	Healthy start	—	—	8.0	—
234	Community day school deficiency (\$5 million for current year and \$5 million for budget year)	—	—	10.0	5.0 <sup>c</sup>
234	Declining enrollment	—	—	20.0	—
235	Reduce principal apportionment deferral	270.0	270.0	90.3	235.1 <sup>d</sup>
244	Preintern program	—	3.5	6.0	3.5
	Not in conference differences from Governor	—	0.5	0.5	0.5
	<b>Totals</b>	<b>\$365.1</b>	<b>\$365.1</b>	<b>\$365.1</b>	<b>\$365.1</b>

<sup>a</sup> Our recommendation provides the Senate version amount, but out of one-time funds instead of a mixture of one-time and ongoing funds.

<sup>b</sup> We recommend \$25 million ongoing funds on the previous page.

<sup>c</sup> We also recommend \$5 million ongoing funds on the previous page.

<sup>d</sup> This item would be used as the one-time Proposition 98 balancer.